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The Effect of Reporting, General Ledger Systems, and Internal Control Systems on Financial Statement Quality at PT Bank Sumut Head Office

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Abstract. This study examines the effects of reporting, general ledger systems, and internal control systems on financial statement quality at PT Bank Sumut Head Office, Medan. A quantitative cross-sectional approach was employed, with data collected through online questionnaires distributed to employees involved in finance, accounting, and internal control activities. A total of 48 valid responses were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. The results indicate that reporting, general ledger systems, and internal control systems each have a positive and significant effect on financial statement quality. These findings suggest that the reliability of financial statements depends not only on the final presentation of financial information but also on accurate transaction recording, proper data consolidation, integrated reporting processes, and effective internal control mechanisms. The study provides empirical evidence from the regional banking sector and highlights the importance of strengthening accounting information systems and internal controls to improve the accuracy, reliability, and quality of financial reporting. The findings may serve as a reference for management in developing more effective financial reporting and control practices.

Keywords: Accounting Systems; Financial Reporting; Financial Statements; General Ledger; Internal Control.

1. INTRODUCTION

Financial statement quality is a crucial issue in accounting and banking because financial reports serve as the main basis for managerial decision-making, regulatory supervision, and stakeholder accountability. High-quality financial information should be relevant, faithfully represented, comparable, understandable, verifiable, and timely (IASB, 2021; IAI, 2024). In the banking sector, this issue becomes more important because banks process large volumes of transactions and operate under strict regulatory requirements. Abu Hamour et al. (2024) state that financial reporting quality reflects the transparency, accuracy, and completeness of financial information, while Mediaty et al. (2025) emphasize that reliable financial reporting strengthens accountability and reflects the actual economic condition of an entity.

The quality of financial statements is closely related to the effectiveness of Accounting Information Systems (AIS). Romney and Steinbart (2021) explain that AIS is designed to collect, process, record, and report financial data to support decision-making and control. Within AIS, reporting and the general ledger system play central roles. Reporting converts accounting data into useful financial information, while the general ledger system consolidates transactions into account balances used in preparing financial statements. Monteiro et al. (2024) argue that AIS quality contributes to financial reporting reliability when the system produces accurate, complete, consistent, and timely information. However, computerized systems do not automatically guarantee high-quality reports if they are not supported by proper data validation, system integration, user discipline, and internal controls.

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Internal control systems are therefore essential in ensuring the reliability and integrity of financial information. COSO (2017) explains that internal control consists of control environment, risk assessment, control activities, information and communication, and monitoring activities. These components help prevent errors, detect irregularities, and ensure that financial reporting processes comply with applicable standards. Alzeban (2023) argues that effective internal control improves governance and financial reporting quality, while Ramadhani and Soewarno (2022) found that internal control strengthens the reliability of financial reports in the Indonesian context.

This study is motivated by the need to examine the determinants of financial statement quality at PT Bank Sumut Head Office, Medan. As a regional development bank, PT Bank Sumut is required to produce reliable financial reports to support internal decisions, regulatory compliance, and public accountability. However, Praluyo (2020) identified weaknesses in internal control at PT Bank Sumut, particularly in segregation of duties, monitoring, and control communication. These weaknesses may increase the risk of recording errors, delayed reporting, and reduced reliability of financial information. Therefore, this study examines whether reporting, general ledger systems, and internal control systems influence financial statement quality.

This study is based on the DeLone and McLean Information Systems Success Model and Agency Theory. DeLone and McLean (2003) explain that system quality and information quality determine the success and benefits of an information system. In this study, reporting and the general ledger system represent AIS components that determine the quality of financial information. Meanwhile, Jensen and Meckling (1976) explain through Agency Theory that internal control is needed to reduce information asymmetry between management and stakeholders. Thus, strong internal control helps ensure that financial information is presented accurately, transparently, and responsibly.

The purpose of this study is to analyze the effect of reporting, general ledger systems, and internal control systems on financial statement quality at PT Bank Sumut Head Office, Medan. This study uses a quantitative approach with a cross-sectional survey design. Data were collected through online questionnaires distributed to employees involved in accounting, finance, and internal control functions. A total of 48 valid responses were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS, which is appropriate for testing relationships among latent variables in prediction-oriented research (Hair et al., 2021).

The findings show that reporting, general ledger systems, and internal control systems have positive and significant effects on financial statement quality. These results indicate that financial statement quality is shaped not only by the final report presentation, but also by the quality of accounting processes, transaction consolidation, system integration, and internal control procedures. This study contributes to AIS and financial reporting literature by providing empirical evidence from a regional banking institution. Practically, the findings suggest that banking management should strengthen reporting discipline, improve general ledger accuracy, enhance system integration, and reinforce internal control procedures to produce reliable, timely, transparent, and useful financial statements.

2. LITERATURE REVIEW

Financial statement quality has been widely discussed as a central outcome of accounting processes because financial reports provide information for decision-making, accountability, and regulatory supervision. The Conceptual Framework for Financial Reporting explains that high-quality financial information should be relevant, faithfully represented, comparable, understandable, verifiable, and timely (IASB, 2021; IAI, 2024). Abu Hamour et al. (2024) emphasize that financial reporting quality reflects transparency, accuracy, and completeness, while Mediaty et al. (2025) argue that reliable financial reports must represent the actual economic condition of an entity. However, the literature also suggests that financial statement quality is not determined only by compliance with reporting standards, but also by the quality of accounting systems, internal processes, and control mechanisms that produce the reports.

Accounting Information Systems (AIS) are frequently positioned as an important determinant of financial statement quality. Romney and Steinbart (2021) define AIS as a system that collects, records, processes, stores, and reports financial data to support decision-making and internal control. Within AIS, reporting and the general ledger system are key components because they transform transaction data into structured financial information. Monteiro et al. (2024) found that AIS quality contributes to the reliability and usefulness of financial reporting, especially when the system produces accurate, complete, consistent, and timely information. Similarly, Nurhayati et al. (2023) argue that AIS quality depends not only on technology, but also on organizational support, user knowledge, and system governance. These studies imply that technology alone is insufficient; the effectiveness of AIS depends on how well the system is implemented and controlled within the organization.

Reporting is an important AIS function because it converts accounting data into financial information used by management, regulators, and external stakeholders. Fayyaz (2025) argues that effective reporting improves financial information quality when it is supported by clear procedures, data validation, and timely presentation. Putri et al. (2025) also highlight that internal control over reporting strengthens the credibility of financial reports. Nevertheless, previous findings indicate that reporting quality may vary across organizational contexts. In highly regulated sectors such as banking, reporting systems must not only be accurate, but also consistent with regulatory requirements and integrated with internal accounting processes. Therefore, the effect of reporting on financial statement quality should be examined in specific institutional settings rather than assumed to be universally consistent.

The general ledger system is another critical component of AIS because it consolidates transactions from various sources into account balances used in financial statement preparation. Monteiro et al. (2024) suggest that errors in classification, posting, and reconciliation may reduce the reliability of financial information. Saad (2023) also found that system quality and information quality influence accounting system use and organizational performance in the banking sector. However, the effectiveness of the general ledger system is context-dependent. A computerized general ledger may still produce unreliable reports if account mapping, reconciliation, closing procedures, and audit trails are weak. Thus, the literature indicates that the general ledger system should be evaluated not merely as a technical module, but as an integrated accounting process that affects the accuracy and traceability of financial statements.

Internal control systems are widely recognized as a major factor supporting financial statement quality. COSO (2017) explains that internal control consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. These components are designed to prevent errors, detect fraud, ensure authorization, and strengthen the reliability of financial reporting. Ramadhani and Soewarno (2022) found that effective internal control improves financial reporting reliability in Indonesia, while Alzeban (2023) shows that governance and management support strengthen internal control effectiveness. Mediaty et al. (2025) also found that internal control contributes significantly to financial reporting quality. These findings support the view that internal control is not only an administrative requirement, but also a governance mechanism that protects the integrity of accounting information.

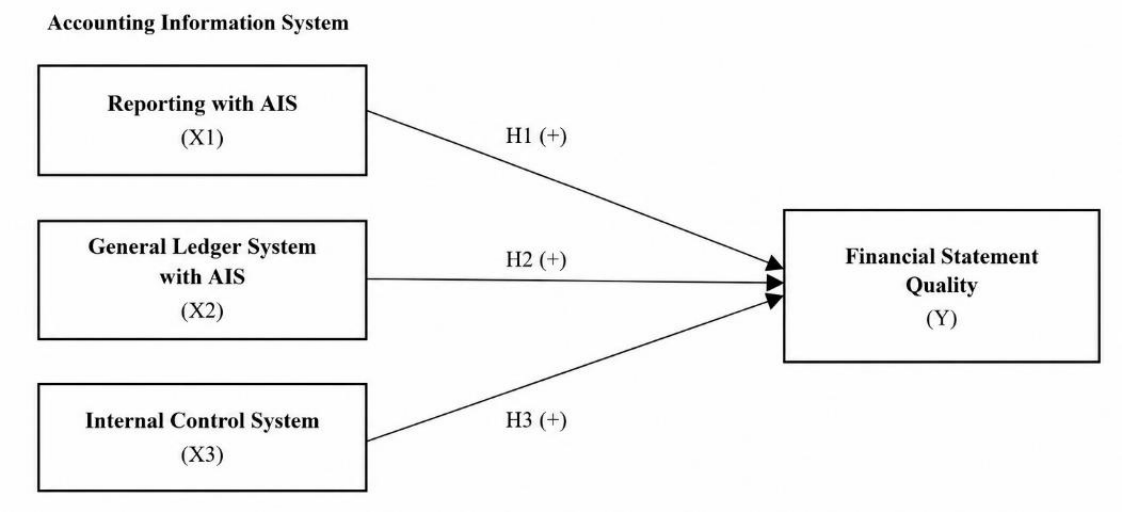

Figure 1. Conceptual Framework.

Despite broad agreement on the importance of AIS and internal control, previous studies report mixed findings. Faisal, Yulivianti, and Rindiani (2023) found that AIS had a significant effect on financial statement quality, while internal control showed a positive but insignificant effect. In contrast, Bale et al. (2023) and Putri et al. (2025) emphasize the importance of internal control over financial reporting, particularly in public sector and government contexts. These inconsistencies may be explained by differences in organizational setting, system maturity, employee competence, regulatory pressure, and the strength of control implementation. Therefore, prior findings should not be treated as universally applicable. Instead, the relationship between AIS components, internal control, and financial statement quality needs to be tested within specific institutional environments.

The theoretical basis of this study is drawn from the DeLone and McLean Information Systems Success Model and Agency Theory. DeLone and McLean (2003) argue that system quality and information quality determine information system success and organizational benefits. In this context, reporting and the general ledger system represent AIS quality because they determine how financial data are processed into useful reports. Agency Theory, introduced by Jensen and Meckling (1976), explains that internal control is needed to reduce information asymmetry between management and stakeholders. Strong internal control reduces the possibility of opportunistic behavior, errors, and misstatement, thereby improving the credibility of financial reports.

Based on the literature, this study identifies a research gap in the limited evidence on how reporting, general ledger systems, and internal control systems jointly influence financial statement quality in regional banking institutions. Most prior studies examine AIS or internal control separately, while fewer studies integrate reporting, general ledger systems, and internal

control in one model. This gap is important because banking institutions process high transaction volumes and face strict regulatory reporting requirements. Therefore, this study investigates whether reporting, general ledger systems, and internal control systems significantly affect financial statement quality at PT Bank Sumut Head Office, Medan.

3. METHODS

This study employed a quantitative research design to examine the causal relationships between reporting, general ledger systems, internal control systems, and financial statement quality. A quantitative approach was considered appropriate because the study aimed to test predetermined hypotheses using numerical data and statistical analysis, as suggested by Sekaran and Bougie (2019), Sugiyono (2020), and Hair et al. (2021). The study used a cross-sectional design, in which data were collected at a single point in time to capture respondents' perceptions of the accounting information system, internal control system, and financial statement quality at PT Bank Sumut Head Office, Medan.

The population consisted of employees working in the finance and supervision divisions of PT Bank Sumut Head Office, Medan. These divisions were selected because their employees are directly involved in financial recording, reporting, and internal control activities. The population included 58 employees, consisting of 29 employees from the finance division and 29 employees from the supervision division. Because the population was relatively small, this study used a saturated sampling technique, in which all members of the population were included as research respondents, following the sampling logic explained by Sugiyono (2020) and Sekaran and Bougie (2019). Of the 58 distributed questionnaires, 48 valid responses were obtained and used for analysis.

Data were collected using an online questionnaire distributed through Google Forms. This method was chosen because it is efficient, accessible, and suitable for collecting structured responses from organizational employees. Evans and Mathur (2018) explain that online questionnaires can improve data collection efficiency, while Hair et al. (2021) note that structured survey instruments are appropriate for measuring latent constructs in quantitative research. The questionnaire used a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. The Likert scale was selected because it is simple, widely used in social and business research, and able to capture variations in respondents' attitudes, as discussed by Revilla et al. (2014) and Joshi et al. (2015).

The study measured four main variables. Financial statement quality, as the dependent variable, was measured using indicators of relevance, faithful representation, comparability, and understandability, referring to the Conceptual Framework for Financial Reporting (IASB, 2021; IAI, 2024). Reporting was measured through timeliness, data verifiability, information completeness, and system support in the reporting process, consistent with the view of Monteiro et al. (2024) that reporting quality depends on accurate, complete, and timely accounting information. The general ledger system was measured using indicators of audit trail, completeness of transaction recording, and accuracy of account classification, in line with Romney and Steinbart (2021), who describe the general ledger as a core component of the accounting information system. The internal control system was measured based on the COSO framework, which consists of control environment, risk assessment, control activities, information and communication, and monitoring activities (COSO, 2017).

Before the main data collection, a pilot study was conducted to assess the validity and reliability of the questionnaire. The pilot test involved 11 respondents outside the main research population. This step was important because a pilot study helps ensure that the questionnaire items are clear, valid, and reliable before being used in the full study, as explained by Thabane et al. (2010), Lancaster (2015), and In (2017). The pilot test results showed that all questionnaire items were valid because each item had a corrected item correlation greater than the r-table value of 0.602. The reliability test also showed acceptable results, with Cronbach's alpha values of 0.908 for reporting, 0.912 for the general ledger system, 0.945 for the internal control system, and 0.915 for financial statement quality. These values exceeded the minimum threshold of 0.70 recommended by Sekaran and Bougie (2019), indicating that the instrument was reliable.

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. PLS-SEM was selected because it is suitable for examining relationships among latent variables, prediction-oriented models, and relatively small sample sizes, as recommended by Hair et al. (2021) and Sarstedt et al. (2019). The analysis consisted of two stages: evaluation of the measurement model and evaluation of the structural model. The measurement model was assessed using factor loadings, Average Variance Extracted (AVE), Cronbach's alpha, composite reliability, and discriminant validity. Hair et al. (2021) suggest that factor loadings should generally exceed 0.70, AVE should exceed 0.50, and composite reliability should exceed 0.70. The structural model was evaluated using the coefficient of determination (R^2), path coefficients, t-statistics, and p-values obtained through bootstrapping. Hypotheses were considered supported when the t-statistic exceeded 1.64 and

the p-value was below 0.05, following the criteria used in PLS-SEM analysis by Hair et al. (2021) and Ghozali and Latan (2015).

4. RESULTS

This section presents the descriptive statistics and inferential statistical results used to examine the effect of reporting, general ledger systems, and internal control systems on financial statement quality. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. As suggested by Hair et al. (2021) and Ghozali and Latan (2015), the analysis was conducted in two stages: evaluation of the measurement model and evaluation of the structural model.

A total of 48 valid responses were analyzed from 58 distributed questionnaires, representing a response rate of 82.76%. The respondents consisted of employees from the finance and supervision divisions of PT Bank Sumut Head Office, Medan. Most respondents were male, with 39 respondents or 81.25%, while female respondents accounted for 9 respondents or 18.75%. In terms of age, the majority of respondents were between 40 and 49 years old, representing 79.17% of the sample. Most respondents held a bachelor's degree, representing 83.33%, followed by master's degree holders at 14.58%. Regarding work experience, 54.17% of respondents had worked for 20–29 years, indicating that most participants had substantial organizational experience and were familiar with financial reporting and internal control processes.

The descriptive statistics show that respondents generally provided moderate to positive responses across all research variables. For financial statement quality, the mean scores ranged from 3.23 to 3.33, indicating that respondents tended to perceive financial statement quality as adequate but still improvable. The highest mean scores were found in the indicators related to comparability and transparency, both with a mean of 3.33. For reporting, the mean scores ranged from 3.27 to 3.40, with the highest mean found in the statement that the financial reporting process is supported by an adequate and integrated system. For the general ledger system, the mean scores ranged from 3.31 to 3.46, with the highest mean related to the ability of the general ledger system to support audit trails. For internal control systems, most indicators showed moderate to positive responses, suggesting that internal control practices were generally perceived as functioning, although several areas may still require improvement.

The measurement model was assessed using convergent validity, internal consistency reliability, and discriminant validity. Hair et al. (2021) recommend that factor loadings should generally exceed 0.70, Average Variance Extracted (AVE) should exceed 0.50, and composite reliability should exceed 0.70. The results show that all factor loadings were above the recommended threshold, ranging approximately from 0.827 to 0.955. The AVE values were 0.793 for financial statement quality, 0.849 for reporting, 0.883 for the general ledger system, and 0.837 for the internal control system. These values indicate that all constructs met the criteria for convergent validity.

The reliability results also show satisfactory internal consistency. Cronbach's alpha values were 0.956 for financial statement quality, 0.941 for reporting, 0.934 for the general ledger system, and 0.972 for the internal control system. Composite reliability values were also above the recommended threshold, with 0.964 for financial statement quality, 0.957 for reporting, 0.958 for the general ledger system, and 0.976 for the internal control system. These results indicate that all constructs were reliable. Discriminant validity was evaluated using the Fornell-Larcker criterion, as recommended by Hair et al. (2021). The square root of AVE for each construct was higher than its correlations with other constructs, indicating that discriminant validity was established.

The structural model was evaluated using the coefficient of determination and hypothesis testing through bootstrapping. The R^2 value for financial statement quality was 0.569, while the adjusted R^2 value was 0.540. This indicates that reporting, general ledger systems, and internal control systems jointly explained 54.0% of the variance in financial statement quality. According to the criteria discussed by Hair et al. (2021), this explanatory power can be considered moderate, suggesting that the model has acceptable predictive relevance while also indicating that other factors outside the model may explain the remaining variance.

The hypothesis testing results show that all proposed relationships were positive and significant. Reporting had a positive and significant effect on financial statement quality, with an original sample value of 0.289, t-statistic of 3.494, and p-value of 0.000. Therefore, H1 was supported. This result indicates that better reporting practices contribute to higher financial statement quality, particularly through timeliness, data verification, completeness, and integrated reporting processes.

The general ledger system also had a positive and significant effect on financial statement quality, with an original sample value of 0.374, t-statistic of 4.382, and p-value of 0.000. Thus, H2 was supported. This finding suggests that an effective general ledger system improves the accuracy, completeness, and traceability of accounting data, which are important for producing reliable financial statements.

Internal control systems showed the strongest positive effect on financial statement quality, with an original sample value of 0.393, t-statistic of 5.203, and p-value of 0.000. Therefore, H3 was supported. This result indicates that effective internal control systems play a central role in ensuring the reliability, accuracy, and accountability of financial reporting. The finding is consistent with COSO (2017), which emphasizes that internal control supports reliable financial reporting, and with Ramadhani and Soewarno (2022), who found that effective internal control improves financial reporting quality.

Overall, the results demonstrate that reporting, general ledger systems, and internal control systems significantly improve financial statement quality at PT Bank Sumut Head Office, Medan. These findings suggest that financial statement quality is not only determined by the final presentation of financial reports, but also by the effectiveness of accounting data processing, transaction consolidation, system integration, and internal control procedures. The results are summarized in Table 1.

Table 1. Summary of Hypothesis Testing.

Hypothesis	Relationship	Coefficient	t-statistic	p-value	Decision
H1	Reporting → Financial Statement Quality	0.289	3.494	0.000	Supported
H2	General Ledger System → Financial Statement Quality	0.374	4.382	0.000	Supported
H3	Internal Control System → Financial Statement Quality	0.393	5.203	0.000	Supported

5. DISCUSSION

This study aimed to examine the effect of reporting, general ledger systems, and internal control systems on financial statement quality at PT Bank Sumut Head Office, Medan. The findings show that all three variables have positive and significant effects on financial statement quality. These results confirm that financial statement quality is not only determined by the final presentation of reports, but also by the quality of accounting information processing, transaction consolidation, system integration, and internal control procedures. Therefore, this study contributes to the accounting information system and financial reporting literature by showing how reporting, general ledger systems, and internal control systems jointly support financial statement quality in a regional banking institution.

The first finding shows that reporting has a positive and significant effect on financial statement quality. This result indicates that timely, complete, verifiable, and system-supported reporting processes improve the usefulness and reliability of financial statements. This finding is consistent with Monteiro et al. (2024), who argue that accounting information system quality contributes to reliable and useful financial reporting. It also supports Putri et al. (2025), who emphasize that reporting quality is strengthened when financial information is supported by appropriate internal control mechanisms. In the context of PT Bank Sumut, this result suggests that reporting quality is important because banking institutions must provide accurate and timely financial information for managerial decisions, regulatory compliance, and stakeholder accountability.

The second finding shows that the general ledger system has a positive and significant effect on financial statement quality. This result suggests that an effective general ledger system improves the accuracy, completeness, and traceability of accounting data. The finding supports Romney and Steinbart (2021), who describe the general ledger as a central component of the accounting information system, and Monteiro et al. (2024), who highlight the importance of accurate and consistent accounting information in improving reporting reliability. In banking operations, the general ledger system is particularly important because large transaction volumes must be properly classified, posted, reconciled, and summarized into financial reports. Therefore, weaknesses in account mapping, posting accuracy, or reconciliation may reduce the reliability of financial statements.

The third finding shows that internal control systems have the strongest positive effect on financial statement quality. This result confirms the importance of internal control in ensuring the reliability, accuracy, and integrity of financial information. The finding is consistent with COSO (2017), which explains that internal control supports reliable financial reporting through control environment, risk assessment, control activities, information and communication, and monitoring activities. It also supports Ramadhani and Soewarno (2022), who found that effective internal control improves financial reporting reliability, and Alzeban (2023), who argues that internal control strengthens governance and financial reporting quality. From the perspective of Agency Theory, as explained by Jensen and Meckling (1976), internal control reduces information asymmetry between management and stakeholders by limiting the possibility of errors, misstatements, and opportunistic behavior.

These findings also strengthen the DeLone and McLean Information Systems Success Model. DeLone and McLean (2003) explain that system quality and information quality determine information system success and organizational benefits. In this study, reporting and the general ledger system represent key elements of accounting information system quality, while financial statement quality represents an organizational benefit generated by effective information processing. The results show that when accounting systems produce accurate, timely, and traceable information, the quality of financial statements improves. However, the strong role of internal control also indicates that information system success in financial reporting depends not only on technology, but also on governance, monitoring, and control procedures.

Managerially, the findings suggest that PT Bank Sumut should continuously strengthen its reporting procedures, general ledger accuracy, and internal control practices. Management should ensure that financial reporting is timely, complete, and supported by integrated systems. The bank should also improve general ledger governance by strengthening account mapping, transaction posting accuracy, reconciliation procedures, and audit trail documentation. In addition, internal control should be reinforced through clearer segregation of duties, stronger authorization procedures, routine monitoring, and effective follow-up of internal audit findings. These actions are important to reduce the risk of reporting errors, improve transparency, and strengthen public trust in the bank's financial statements.

This study has several limitations. First, the research was conducted only at PT Bank Sumut Head Office, Medan, so the findings may not be fully generalizable to other banks or financial institutions with different organizational structures, systems, and control environments. Second, the study used questionnaire-based data, meaning that the results depend on respondents' perceptions and may be influenced by subjectivity. Third, the cross-sectional design limits the ability to observe changes in reporting quality, system effectiveness, and internal control practices over time. These limitations should be considered when interpreting the internal and external validity of the findings.

Future research may extend this study by comparing several regional development banks or other financial institutions to examine whether the relationships among reporting, general ledger systems, internal control systems, and financial statement quality differ across institutional contexts. Future studies may also include additional variables such as user competence, internal audit quality, digital system maturity, management support, or regulatory pressure. Longitudinal research would also be valuable to examine how improvements in accounting information systems and internal control systems affect financial statement quality

over time. Such studies would provide deeper insight into whether financial statement quality improves consistently as banking institutions strengthen their digital accounting systems and governance mechanisms.

6. CONCLUSION AND RECOMMENDATION

This study concludes that effective reporting practices, a reliable general ledger system, and strong internal control procedures significantly improve the quality of financial statements at PT Bank Sumut Head Office by strengthening accuracy, completeness, traceability, and reporting reliability; therefore, PT Bank Sumut should continuously enhance reporting discipline, general ledger governance, system integration, and internal control mechanisms to minimize reporting errors and increase stakeholder confidence in its financial statements.

7. LIMITATION

This study has several limitations. The research was limited to PT Bank Sumut Head Office, Medan, so the results may not fully reflect conditions in other banks or financial institutions with different systems, cultures, and control environments. In addition, the use of a cross-sectional design means that the data only describe conditions at one specific time and cannot show long-term changes. The findings are also based on questionnaire responses, which may involve respondent bias and may not fully represent actual system records, audit evidence, or financial statement documents. Moreover, the relatively small sample of 48 respondents may limit the broader applicability of the results. Since this study only examined reporting, general ledger systems, and internal control systems, future research should include other relevant factors, such as user competence, internal audit quality, management support, digital system maturity, and organizational culture, using broader samples or longitudinal methods to obtain deeper and more generalizable findings.

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